



Beef producers underpin rise in Queensland rural confidence – buoyed by rain and prices

Results at a glance:

- *Good rains in parts of the state and record beef prices drove overall farmer confidence to its highest level in five years*
- *However, large areas of the state remain dry and are entering their fourth dry season*
- *The lower \$A also boosted confidence, elevating domestic returns*

Good summer rains over central and southern Queensland have driven the state's farmer confidence to its highest level in five years.

The recovery in beef prices has also been a major driver of improved confidence, with farmers similarly buoyed by the drop in the dollar.

Not all regions received rain, however, and large parts of the state, particularly the central west and central north remain drought-declared, potentially entering their fourth consecutive dry season.

The latest Rabobank Rural Confidence survey – completed last month – found that confidence among Queensland farmers had rebounded strongly to its highest level since March 2010.

This quarter, 41 per cent of respondents expected conditions to improve (up from 30 per cent in the previous quarter) while 37 per cent expected conditions to remain stable. Those expecting conditions to worsen dropped to 21 per cent, down from 34 per cent.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions, on average, 1000 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis.

Rabobank state manager for Queensland and Northern Territory, Brad James said the 'planets had aligned' for many of the state's primary producers in early 2015, with the break in the season, stronger beef prices, drop in the dollar and low interest rates all at play.

"There is certainly a more positive mood on the ground, compared to the past three or four years," Mr James said.

"However, we remain mindful that not everyone has had a break in the season and some areas have had three years of below-par rainfall. There are also areas that received good rains over January but haven't had much follow-up and given that rain over winter is fairly atypical for up here, that window for more rain is closing."

Mr James said that while good seasonal conditions were not across the board, beef prices had recovered and had hit record levels.



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“Finished cattle have been making good money, and we have seen cows and calves fetch \$1300 to \$1400 per unit in certain markets which is significant shift from where they have previously been trading,” he said.

“Prices in the store market have since come off a little, as we are starting to see demand from restockers wane with the lack of rain, however finished cattle are still generating good returns with the states feedlots being well patronised also,” Mr James said.

While confidence was strongest in the beef sector, it also bounced back strongly in cotton.

“While production is expected to be down on last year, quality is reportedly good. And with prices sitting around \$500 a bale, the lower dollar and strong demand for high-quality cotton grades has helped underpin the elevated basis levels,” Mr James said.

Confidence picked up amongst grain growers, albeit not to the same extent as beef and cotton producers, while sentiment levels in the sugar industry remained subdued.

“Prospects for the 2015 sugar crush remain positive, however global sugar prices are subdued on the back of record global stocks – although the lower dollar is buffering some of that downward pressure on local returns,” Mr James said.

With commodity prices and the season front-of-mind for the majority of Queensland farmers, 61 and 57 per cent of respondents, respectively, cited these variables as the reason they expected conditions to improve over the coming year.

The drop in the Australian dollar was also a positive driver of confidence for 31 per cent of respondents with an optimistic view, while the state of overseas markets pared back in significance to 17 per cent.

In terms of expectations for farm business performance, Queensland farmers were more bullish in the outlook for their own business performance with a net reading of 25 per cent (up from two per cent), the highest reading in three years.

Those expecting business performance to improve increased from last quarter to 39 per cent (was 31 per cent), while the percentage expecting conditions to worsen halved to 14 per cent (from 29 per cent).

In line with overall confidence levels, Queensland farmers’ investment intentions also rose, with 65 per cent expecting to maintain their level of investment over the coming year and 24 per cent looking to increase it.

“There seems to be more interest in property than we have seen for the last five or so years, and despite conditions remaining tough in some parts of the state we haven’t seen a flood of properties on the market,” Mr James said.

“This indicates the long-term confidence that is held in the industry and this sentiment is certainly shared by us.”



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The most robust study of its type in Australia, the Rabobank Rural Confidence Survey has been conducted since 2000 by an independent research organisation.

The next results are scheduled for release in June 2015.

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